



To the Honorable Council  
City of Norfolk, Virginia

May 23, 2017

From: Gregory A. Patrick, Budget Director

**Subject:** FY 2018 Operating Budget Ordinance

Reviewed: *Styl K Huh for Michael G. Goldsmith*  
Michael G. Goldsmith, Deputy City Manager

**Ward/Superward:** Citywide

Approved: *Douglas L. Smith*  
Douglas L. Smith, Interim City Manager

**Item Number:**

**R-10**

I. **Recommendation:** Adopt Ordinance

II. **Applicant:** City of Norfolk

III. **Description:**

This agenda item is to approve and authorize the FY 2018 operating financial plan for the city. The following table provides a breakdown of the operating plan by funds.

Fiscal Year 2018 Financial Plan	
Fund	Budget
General Fund	\$857,276,054
Enterprise Funds	\$142,121,764
Special Revenue Funds	\$63,698,401
Internal Service Funds	\$106,298,225
<b>Total Operating Funds</b>	<b>\$1,169,394,444</b>
Annual Plan for Housing and Urban Development (HUD) Block Grants	\$5,405,297
<b>Total Financial Plan</b>	<b>\$1,174,799,741</b>

IV. **Analysis**

This ordinance distributes General Fund and other operating funds in accordance with the City Manager's Proposed Budget presented on April 11, 2017, and subsequent City Council amendments from the budget work sessions, which include the following:

**City Manager's Proposed Budget:**

1. Continues the implementation of the Attraction, Retention, Motivation and Development (ARMD) Initiative to attract and retain qualified employees which:
  - Provides General and Constitutional employees with a two percent salary increase in January 2018 and salary range adjustments for the city's most regionally out of market classifications.

- Implements a new pay plan for refuse collectors to attract and retain talent.
  - Continues implementation of the Public Safety Pay Plan to provide competitive compensation with a step increase for sworn Police and Fire-Rescue Employees and compression adjustments for some Police Officers and Police Sergeants.
  - Provides a step increase and tenure-based bonuses for sworn Sheriff employees.
  - Provides a \$300 increase to the permanent living wage.
2. Provides \$600,000 from the General Fund to support a one-time retiree supplement for retirees who have at least 25 years of service and earn \$30,000 or below in city retirement income. The supplement will be \$839 in FY 2018.
  3. Invests \$4.2 million in public safety information technology infrastructure to replace radios, upgrade the communications system, replace the 911 Computer-Aided Dispatch System (CADS), update 911 call handling equipment, and upgrade the Police Records Management System.
  4. Invests a planned \$38.1 million over a five-year period to support flood mitigation efforts.
  5. Invests a planned \$68 million over a five-year period to improve and strengthen neighborhoods across the city.
  6. Continues support of the FY 2018 Community Development Block Grant program (CDBG), HOME Investment Partnership program (HOME) and the Emergency Solutions Grant program (ESG):

FY 2018 Annual Plan for HUD Block Grants	
Program	Budget
CDBG	\$4,135,982
HOME	\$921,022
ESG	\$348,293
Total	\$5,405,297

**City Council Amendments:**

1. An additional \$6.0 million of General Fund operating support for Norfolk Public Schools (NPS), with \$3.0 million in one-time support and \$3.0 million in ongoing funds.
2. An additional \$2.0 million of one-time funds for Risk Management.



3. A one-time \$50,000 increase for the Department of City Planning's operating budget to support improving the city's Community Rating System. An improvement to this rating would lower flood insurance premiums for Norfolk residents who live in flood zones.
4. An additional \$187,000 of ongoing operational support for additional staff and administrative overhead at FestEvents.
5. A cash transfer from the General Fund of \$100,000 to the Capital Improvement Program (CIP) to fund a Sportsplex Study.
6. An additional \$12,000 in ongoing operational support to open the Campostella Heights Resource Center from 11 a.m. to 4 p.m. on Saturdays.
7. An additional \$15,000 in ongoing operating support for the Sister Cities Program for additional staff.
8. A one-time increase of \$50,000 to support D'Art operating costs.
9. A one-time increase of \$50,000 to support an initiative in the Ingleside neighborhood.

**V. Financial Impact**

The financial plan totals \$1,174,799,741 from all sources and meets the Norfolk City Charter requirements for a balanced budget. See the above Analysis section for more detail.

**VI. Environmental**

The FY 2018 Budget supports the City Council priority of Environmental Sustainability.

**VII. Community Outreach/Notification**

Pursuant to the Code of Virginia and Norfolk City Charter, this agenda item requires a public hearing. As such, a public hearing notice was published in *The Virginian-Pilot* on April 12, 2017, and the public hearing was held on April 19, 2017.

**VIII. Board/Commission Action**

N/A

**IX. Coordination/Outreach**

This letter has been coordinated with the Office of Budget and Strategic Planning and the City Attorney's Office.

Supporting material from the Office of Budget & Strategic Planning:

- Ordinance

Form and Correctness Approved:

By [Signature]  
Office of the City Attorney

Contents Approved:

NORFOLK, VIRGINIA

By [Signature]  
DEPT. Budget and Strategic Planning

Pursuant to Section 72 of the City Charter, I hereby certify that the money required for this item is in the city treasury to the credit of the fund from which it is drawn and not appropriated for any other purpose.

#5,405,287	HUD Account
\$1,169,394,444	Various
<u>[Signature]</u>	Account
Director of Finance	5/17/17
	Date

## ORDINANCE No.

AN ORDINANCE APPROPRIATING FUNDS FOR OPERATION OF THE CITY FOR THE FISCAL YEAR BEGINNING JULY 1, 2017 AND ENDING JUNE 30, 2018, APPROPRIATING U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) ENTITLEMENT GRANTS, AUTHORIZING SHORT-TERM EQUIPMENT FINANCING, PROVIDING A SUPPLEMENT FOR CERTAIN ELIGIBLE RETIREES AND REGULATING THE PAYMENT OF MONEY FROM THE CITY TREASURY.

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WHEREAS, the City Manager submitted to the Council a proposed annual budget for the city for the fiscal year beginning July 1, 2017 and ending June 30, 2018, which has been amended by the Council, and it is necessary to make appropriations sufficient to fund said budget and to regulate the payment of money from the city treasury; now, therefore,

BE IT ORDAINED by the Council of the City of Norfolk:

Section 1:- That the amounts shown herein aggregating Eight Hundred Fifty Seven Million Two Hundred Seventy Six Thousand Fifty Four Dollars (\$857,276,054) for the General Fund, Eighty Seven Million Thirty Two Thousand Six Hundred Fifty Seven Dollars (\$87,032,657) for the Water Utility Fund, Thirty One Million Three Hundred Seventy Eight Thousand Three Hundred Ninety Two Dollars (\$31,378,392) for the Wastewater Utility Fund, Sixteen Million Four Hundred Seventy Three Thousand Six Hundred Ninety Seven Dollars



(\$16,473,697) for the Storm Water Utility Fund, One Hundred Six Million Two Hundred Ninety Eight Thousand Two Hundred Twenty Five Dollars (\$106,298,225) for the Internal Service Funds, Twenty Three Million Seven Hundred Ten Thousand Seven Hundred Fifteen Dollars (\$23,710,715) for the Parking Facilities Fund, Two Million One Hundred Twenty One Thousand One Hundred Thirteen Dollars (\$2,121,113) for the Cemetery Services Fund, Six Million Four Hundred Twenty Seven Thousand Nine Hundred Fifty Four Dollars (\$6,427,954) for the Emergency Preparedness and Response Fund, Fifteen Thousand Dollars (\$15,000) for the Golf Operations Fund, Twenty Two Million Six Hundred Sixty Six Thousand Two Hundred Fourteen Dollars (\$22,666,214) for the Waste Management Fund, Eight Million Nine Hundred Thousand Two Hundred Ninety Three Dollars (\$8,900,293) for the Public Amenities Fund, Five Million Two Hundred Sixty Six Thousand Dollars (\$5,266,000) for the Tax Increment Financing Fund, One Million Eight Hundred Twenty Eight Thousand One Hundred Thirty Dollars (\$1,828,130) for the Towing and Recovery Operations Fund, or so much thereof as may be necessary, as set forth in the annual budget for the fiscal year July 1, 2017 - June 30, 2018, submitted by the City Manager and as amended by the Council and hereby adopted, are hereby appropriated, subject to the conditions hereinafter set forth in this ordinance, from the revenues of the city from all sources for the fiscal year July 1, 2017 - June 30, 2018, for the use of the several departments and funds established within the City Government, and for the purposes hereinafter set forth in said annual budget for the fiscal year July 1, 2017 - June 30, 2018 as follows:

Legislative	\$5,121,896
Executive	\$5,859,918
Department of Law	\$4,613,010
Constitutional Officers	\$56,249,002
Judicial	\$1,328,043
Elections	\$862,298
Department of Information Technology	\$11,750,302

Department Of Finance	\$4,931,633
Department Of General Services	\$25,560,491
Department Of Human Resources	\$3,635,917
Department Of City Planning	\$5,032,672
Department Of Neighborhood Development	\$4,360,937
Department Of Economic Development	\$2,163,109
Norfolk Public Libraries	\$12,184,268
Department Of Cultural Facilities, Arts And Entertainment	\$5,872,356
Virginia Zoological Park	\$4,353,369
The National Maritime Center	\$5,273,234
Department Of Recreation, Parks And Open Space	\$17,712,446
Central and Outside Agency Appropriations	\$65,651,909
Norfolk Community Services Board	\$26,641,422
Office To End Homelessness	\$300,160
Department Of Public Health	\$3,409,151
Department Of Human Services	\$47,726,353
Department Of Police	\$72,523,769
Department Of Fire - Rescue	\$44,621,442
Department Of Public Works	\$27,605,306
Debt Service	\$66,639,496
Norfolk Public Schools	\$325,292,145
Total Appropriations General Fund - Operating Budget	\$857,276,054



Water Utility Fund	\$87,032,657
Wastewater Utility Fund	\$31,378,392
Parking Facilities Fund	\$23,710,715
Storm Water Utility Fund	\$16,473,697
Internal Service Funds	\$106,298,225
Cemetery Services Fund	\$2,121,113
Emergency Preparedness And Response Fund	\$6,427,954
Golf Operations Fund	\$15,000
Waste Management Fund	\$22,666,214
Public Amenities Fund	\$8,900,293
Tax Increment Financing Fund	\$5,266,000
Towing and Recovery Operations Fund	\$1,828,130
Total Operating Funds	\$1,169,394,444

Section 2:- That unless otherwise specified by Council, all taxes and fees heretofore levied shall continue from year to year.

Section 3:- That the salaries and wages set forth in detail in said annual budget, including for the City Manager, as amended, and for offices and positions which are not embraced within said compensation plan are hereby authorized.

The positions, except where the number thereof is not under the control of the Council, set forth in said annual budget, as amended, shall be the maximum number of positions authorized for the various departments, divisions, bureaus and funds of the city during the fiscal year July 1, 2017 - June 30, 2018 and the number may be changed during said fiscal year as authorized by the Council or City Manager.

Unless the city's compensation plan provides otherwise, changes in personnel occurring during said fiscal year in classifications embraced within the city's compensation plans shall be administered by the City Manager in accordance with the regulations for the administration of the plans.

In the event any personnel authorized in the preceding year's annual budget and appropriations are notified of release due to a reduction in force, reorganizations or workforce downsizing or the staffing and organization redesign effort, such positions are hereby authorized to continue in existence until such time as adopted procedures relating to reductions in force or work force downsizing, or the staffing and organizational redesign effort are completed and implemented in accordance with its terms and conditions. Unless the Council provides otherwise, the City Manager is hereby authorized to continue all benefits and salaries throughout the period of employment from appropriated funds for the positions aforesaid, notwithstanding that said positions may or may not have been deleted in a department budget for the fiscal year July 1, 2017 - June 30, 2018.

The Council reserves the right to change at any time during said fiscal year the compensation, including pay supplements for constitutional officers, either before or after a change in basic salary is made by the State Compensation Board, and to abolish any office or position provided for in said annual budget, as amended, except such offices or positions as it may be prohibited by law from abolishing. The City Manager is authorized to make such rearrangements and reorganizations of positions and personnel services funds between the several departments, including funds named therein, as may best meet the uses and interests of the city.

No person shall acquire any vested interest in any supplement payable under this section beyond those actually paid.

Section 4:- That all payments from the appropriations provided for in this ordinance, including those from balances remaining on June 30, 2017, to the credit of appropriations for works, improvements or other objects which have not been completed or abandoned, except those works, improvements or other objects funded



by Federal, State, or other organizational grants which are hereby encumbered, shall be made at such time as the City Manager may direct, unless otherwise specified by the Council. The City Manager is hereby authorized to apply for grants and awards during the fiscal year provided that adequate matching funds are in the budget.

Section 5:- That within several departments, funds and activities, there are hereby appropriated sufficient amounts to cover the operation of all Internal Service Funds, including the Healthcare and Fleet Management Funds. Charges for services assessed against said departments, funds and activities by the Internal Service Funds shall be accumulated in the appropriate internal service fund and expended to cover the operating costs of such funds as provided in the annual budget.

Any unexpended balances in the amounts appropriated for the Healthcare Fund at the close of business on June 30, 2017, shall not revert to the surplus of the Healthcare Fund, but shall be carried forward on the books of the Director of Finance and be available for expenditure in the succeeding year.

Section 6:- That the various amounts appropriated by this ordinance for the several groups, as set forth in the annual budget, as amended, are to be expended for the purposes designated by said groups, provided, however, that the City Manager or a designee may authorize the transfers between account groups within departments, funds or activities of the city and a record of such transfers shall be maintained by the Director of Finance.

The City Manager or a designee is authorized to transfer from any department, fund or activity which has an excess of funds appropriated for its use of the balance of the fiscal year to any department, activity or fund all or any part of such excess, or to cause such transfers to be made, a record of all such transfers shall be maintained by the Director of Finance.

Any unexpended balances in the amounts appropriated for the Department of Public Works Street Construction and Maintenance Projects, Public Amenities Fund, Tourism Infrastructure Repair, Poverty Commission, Housing Trust Fund, and the Norfolk Consortium at the close of business on June 30, 2017 shall not revert to the surplus of the

General Fund, but shall be carried forward on the books of the Director of Finance and be available for expenditure in the succeeding year.

There are hereby appropriated the revenues from the fiscal year 2015 Five cent (\$0.05) cigarette tax increase and the fiscal year 2017 Five cent (\$0.05) cigarette tax increase for development initiatives. The City Manager is hereby authorized to expend and reserve the revenues for the purpose of business retention, feasibility analysis, debt service and other economic development activities supported by the cigarette tax increases.

The City Manager shall provide to the City Council a mid-year budget update. Such mid-year budget update shall report the projected revenue and expenditure estimates for the entire fiscal year, receipt of unbudgeted revenues, and other major changes to the adopted budget.

There is hereby reserved in the General Fund Balance up to the amount of Forty Two Million Three Hundred Thirty Two Thousand Five Hundred Ninety One Dollars (\$42,332,591) for the Unassigned General Fund Balance Reserve.

There is hereby reserved in the General Fund Balance the amount of Five Million Dollars (\$5,000,000) for the Risk Management Reserve.

There is hereby reserved in the General Fund Balance the amount of Five Million Dollars (\$5,000,000) for the Economic Downturn and Leveling Reserve.

There is hereby reserved in the General Fund Balance up to the amount of Seven Million Seven Hundred Forty One Thousand Nine Hundred Seventy One Dollars (\$7,741,971) in the revolving fund for strategic land acquisitions to be expended for future land acquisitions. The City Manager is authorized to accept future deposits made to the Land Acquisition Fund during the fiscal year. Unless otherwise appropriated, the proceeds of future land sales shall be deposited in the Land Acquisition Fund during the fiscal year. Such deposits are hereby appropriated and authorized to be expended for future land acquisitions. Any unobligated appropriation in the Land Acquisition/Revolving Fund at the close of the fiscal year ending on June 30, 2017,



is hereby reserved for the Land Acquisition/Revolving Fund to be expended for future strategic land acquisitions.

There is hereby appropriated and authorized for expenditure the revenues from the flat tax of Two Dollars (\$2.00) per room for each night of lodging at any hotel, if and when received, to: (1) Visit Norfolk (Norfolk Convention and Visitor Bureau) for visitor promotion and advertising for conventions and tourism; and (2) the Norfolk Consortium. Visit Norfolk shall be allocated fifty percent (50%) of the revenues collected each month from the flat tax of Two Dollars (\$2.00) per room of each night of lodging at any hotel during the fiscal year and the remaining fifty percent (50%) of the revenues collected each month shall be allocated and are authorized for expenditure by the Norfolk Consortium.

There is hereby appropriated and authorized for expenditure for the Parking Facilities Fund up to Two Million Seven Hundred Thirty Two Thousand Eight Hundred Eighty Two Dollars (\$2,732,882) from the Parking Facilities Rate Stabilization Fund.

There is hereby authorized, in accordance with guidelines established by the City Manager, the execution of warrants for the disbursement of any cash in banks credited to the City's Corporate Account to meet any properly authorized and approved payment chargeable to any account of the city.

Unless otherwise specified by any other provision of local, state or federal law, operating funds appropriated to Norfolk Public Schools that have not been expended or contractually obligated at the end of the fiscal year are deemed local dollars and shall revert to the city for re-appropriation by City Council.

There are hereby appropriated and authorized for expenditure the revenues from the fiscal year 2014 Two cent (\$0.02) real estate tax increase for the School Construction, Technology and Infrastructure Program. The City Manager is hereby authorized to expend and reserve the School Construction, Technology and Infrastructure Program supported by the dedicated Two cent (\$0.02) real estate tax increase to support the needs of Norfolk Public Schools. Any unexpended balances in the amounts appropriated shall not revert to the surplus of the

General Fund, but solely be dedicated to the School Construction, Technology and Infrastructure Program and shall be carried forward on the books of the Director of Finance and appropriated and available for expenditure in the succeeding year.

Section 7:- That the FY 2018 Annual Plan, (Consolidated Plan Fiscal Years 2017-2021) for the Community Development Block Grant Program, HOME Investment Partnership Program and Emergency Solutions Grant Program, having been reviewed and found to be in the best interests of the city, is hereby approved.

Section 8:- That, if and when made available from the U.S. Department of Housing and Urban Development (HUD), the sum of up to Four Million One Hundred Thirty Five Thousand Nine Hundred Eighty Two Dollars (\$4,135,982) is hereby appropriated and authorized for expenditure for the Community Development Block Grant Program (2017-2018) from the Community Development Block Grant and when such funds are realized as earnings from the Revolving Loan Fund.

Section 9:- That, if and when made available from the U.S. Department of Housing and Urban Development (HUD), the sum of up to Nine Hundred Twenty One Thousand Twenty Two Dollars(\$921,022) is hereby appropriated and authorized for expenditure for the HOME Investment Partnership Program (2017-2018) from the HOME Investment Partnership Program Grant.

Section 10:- That, if and when made available from the U.S. Department of Housing and Urban Development (HUD), the sum of up to Three Hundred Forty Eight Thousand Two Hundred Ninety Three Dollars (\$348,293) is hereby appropriated and authorized for expenditure for the Emergency Solutions Program (2017-2018) from the Emergency Solutions Grant.

Section 11:- That the City Manager is designated as the certifying officer and authorized representative of the City of Norfolk and shall provide the assurance required by the provisions of the Housing and Community Development Act of 1974, as amended, and the regulations adopted pursuant to such Act.

Section 12:- That the City Manager is further authorized and directed to give to the U.S. Department



of Housing and Urban Development (HUD) and the Comptroller General, through any authorized representative, access to and the right to examine all records, books, papers, documents and other materials which are related to the grant funds and is further authorized and directed to do all things necessary and proper to apply for, accept, receive and modify current and prior year grant funds to carry out the program.

Section 13:- That the Council hereby finds and determines that based on current conditions in the municipal bond market, it is in the city's best interest to issue short-term general obligation bonds or notes (the "Short-Term Equipment GOBs") to finance acquiring various items of personal property, including but not limited to computers, ambulances, fire trucks, refuse trucks and other vehicles (the "Equipment") appropriate and necessary for the efficient operation of the city. "Short-term" means a term to maturity of ten (10) or fewer years. The cost of any new Equipment to be acquired through the issuance of Short-Term Equipment GOBs shall not exceed Ten Million Dollars (\$10,000,000).

No Short-Term Equipment GOBs may be issued before the Council provides authorization therefor following notice and a public hearing held under Virginia Code Section 15.2-2606 of the Public Finance Act of 1991.

That, if prior to issuing Short-Term Equipment GOBs to finance all or any portion of the Equipment, the City Manager, in consultation with the Director of Finance, determines that it is advisable to finance the acquisition in an alternative manner, the City Manager, without further approval of Council as to documentation or otherwise (unless otherwise required by law), is hereby authorized to execute and deliver on behalf of the city nongeneral obligation bonds, notes, term loan agreements, a master equipment lease agreement or other similar financing agreement (the "Alternative Short-Term Equipment Financing"), to execute and deliver such instruments, agreements, documents or certificates and to do and perform such things and acts, as the City Manager shall deem necessary or appropriate to carry out the transactions relating to the Alternative Short-Term Equipment Financing authorized by this ordinance, including to solicit and accept proposals to provide Alternative Short-Term Equipment Financing that the City Manager determines to be in the city's best interest and

all of the foregoing, previously done or performed by such officers or agents of the city, are hereby in all respects approved, ratified and confirmed.

Should the City Manager determine that it is in the city's best interest to enter into Alternative Short-Term Equipment Financing, the Alternative Short-Term Equipment Financing shall bear interest at a rate not exceeding Six and a Half Percent (6.5%), shall have a final term to maturity not in excess of ten (10) years and shall not exceed Ten Million Dollars (\$10,000,000). The obligation of the city to make payments under any Alternative Short-Term Equipment Financing is subject to appropriation each year by the Council and nothing in this ordinance or the Alternative Short-Term Equipment financing shall constitute a debt or pledge of the faith and credit of the city.

The payment of FY 2018 debt service on prior Short-Term Equipment GOBs and any FY 2018 Alternative Short-Term Equipment Financing is part of the Debt Service Appropriation.

This ordinance represents a declaration of "official intent" under Treasury Regulations Section 1.150-2.

Section 14:- That, effective July 1, 2017, a one-time supplement of Eight Hundred Thirty Nine Dollars (\$839.00) shall be payable to retirees receiving retirement benefits as of June 30, 2016, with twenty five (25) or more years of creditable service who receive less than Thirty Thousand Dollars (\$30,000) in annual retirement benefits and workers' compensation benefits. In the event an eligible retiree dies on or before July 31, 2017, the supplement shall not be paid to the surviving spouse nor dependents. Funds for the supplement are hereby appropriated in the FY 2018 Operating Budget.

Section 15:- That there is hereby set-aside from the General Fund revenues of up to Five Million Dollars (\$5,000,000) to be the amount by which revenue is reduced for the purpose of providing real estate tax exemptions and deferrals for the elderly and disabled under Chapter 24, Article IV, Division 2 of the Norfolk City Code, 1979, real estate tax exemptions for disabled veterans



pursuant to Code of Virginia, Section 58.1-3219.5, and real estate tax exemptions of the principal residences of surviving spouses of members of the armed forces of the United States killed in action, pursuant to Code of Virginia, Section 58.1-3219.9.

The Department of Human Services, as designated by the City Manager, shall administer this program.

Section 16:- That the provisions of this ordinance are hereby declared to be severable. If any part, section provision, sentence, clause or phrase, or the application thereof to any person or circumstance, is adjudged to be unconstitutional or invalid for any reason, the remainder of the ordinance shall remain in full force and effect and its validity shall not be impaired, it being the legislative intent now hereby declared that the ordinance would have been adopted even if such invalid matter had not been included or if such invalid application had not been made.

Section 17:- That this ordinance shall be in effect from and after July 1, 2017.